



**APPROVED MINUTES
APPROVED 02-27-12**

**CITY OF SCOTTSDALE
AUDIT COMMITTEE**

MONDAY, JANUARY 30, 2012

**CITY HALL
KIVA CONFERENCE ROOM
3939 NORTH DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251**

REGULAR MEETING

PRESENT: Chair Suzanne Klapp
Vice Mayor Linda Milhaven

ABSENT: Councilman Robert Littlefield

STAFF: Jennifer Pollock, City Attorney's Office
David Smith, City Treasurer
Dennis Enriquez, Finance & Accounting
Terry Hoglund, Finance & Accounting
Joanna Munar, City Auditor's Office
Sharron Walker, City Auditor's Office

CALL TO ORDER

Chair Klapp called the meeting to order at 4:01 p.m.

1. Approval of Minutes, Regular Meeting, December 12, 2011

VICE MAYOR MILHAVEN MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 21, 2011 REGULAR MEETING. CHAIR KLAPP SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF TWO (2) TO ZERO (0). COUNCILMAN LITTLEFIELD WAS ABSENT

2. Discussion and possible direction to staff regarding draft of sunset review process for boards and commissions

City Auditor Ms. Sharron Walker reviewed the draft proposal by staff.

Chair Klapp asked whether the annual report for each entity follows the same format. Ms. Walker confirmed that the format is the same. Chair Klapp asked Ms. Walker if there is anything she feels should be added to the annual report format. Ms. Walker said she thought this provides good basic information, but the Committee members may want to ask for more information.

Chair Klapp said the schedule and plan looked fine, but she wondered how the auditors would work these extra audits into the audit plan. Also, she asked whether auditors intended to attend at least one meeting of each board and commission to observe them first hand.

Ms. Walker said this will depend on the Committee's expectations. She did not anticipate an audit of each board and commission, rather the auditors would gather information for the Committee. Chair Klapp agreed that these are not an audit, but more of a review. She asked whether the Committee wanted a formal process for public input or if having the reviews discussed at the public Audit Committee would be sufficient. Chair Klapp and Vice Mayor Milhaven agreed that public comment at Audit Committee meetings is sufficient.

Ms. Walker discussed the timing of these audits, and whether they should begin in 2012 or 2013. Chair Klapp suggested starting in May. Ms. Walker suggested the audits could be scheduled on the FY 2012/2013 audit plan. She asked whether the Committee wanted to consider all of these reviews at one meeting or at multiple meetings throughout the year.

Vice Mayor Milhaven suggested reviewing the audits one by one to be able to benefit from what they learn in the process. Ms. Walker said the Committee generally has seven or eight meetings each year, and would have time to review all five audits in the course of the year. Based on this discussion, she will present a more formal schedule at the next meeting.

Ms. Walker inquired whether the chair of each body should be notified to attend the relevant Audit Committee meeting. Chair Klapp agreed, noting that they would not need to prepare a formal presentation and might not be asked to speak. Vice Mayor Milhaven suggested making it clear they are always welcome to attend Audit Committee meetings, and that if the Committee has any concerns, they would notify the body. Chair Klapp agreed that as the members of boards and commissions are volunteers, it may be difficult for them to attend an afternoon meeting.

Vice Mayor Milhaven said it would be interesting for the annual report to include a section looking at what they think the key work products, opportunities, and challenges would be for the next year. Chair Klapp said this is a good idea. As the annual reports deadline is January 31, we could send an additional question asking for their plans for the upcoming year, to be provided within the next couple of months before the audits are done. Vice Mayor Milhaven said the bodies could also be asked what issues they would like City Council to be aware of. Chair Klapp agreed and added that the issues should be within the board or commission's purpose. Ms. Walker offered to draft a memo to be sent from the Audit Committee to the boards and commissions to be audited in the next year. In future, this could be built into the annual report format.

3. Discussion and possible direction to staff regarding Audit Follow-Up Quarterly Report

Ms. Walker said in her experience with other organizations, generally two categories of audit recommendations – those that have been completely implemented and those that are in progress – are looked at together. She mentioned that in comparison with the previous report, the implemented (completed) category is slipping a little. Many of the department comments relate to staff vacancies. In general the statistics are very similar to previous reports. The recommendations that are not implemented are the older ones that will eventually drop off the report within a year or so.

4. Discussion and possible direction to staff regarding 2011 fourth quarter and annual TPRO Report

Ms. Joanna Munar reviewed the fourth quarter and annual TPRO report. She noted the annual results showed a higher response rate and slightly less favorable ratings. She stated the City Auditor received one taxpayer request to rebate interest charges, which was not granted based on review of the case file information.

5. Discussion and Possible Direction to Staff Regarding status of City Auditor's Budget

Ms. Walker reviewed the department budget, noting that the variance in personal services compensation is largely due to vacancies. She plans to ask for a small increase in the coming year's budget. The vacancy savings are not necessarily a positive as it makes getting work done more difficult.

6. Discussion and Possible Direction to Staff Regarding status of FY 2011/2012 Audit Plan

Ms. Walker reported that one of the auditors was in a serious accident last week and will be away for two to three months. Both Committee members expressed their best wishes.

Ms. Walker said the two existing vacancies were already causing some slippage in their later deadlines. She modified the work plan accordingly before the accident, and will present a new projection next month. Recruitment is open to fill the two vacancies. She estimated the earliest a new hire could start would be late February or early March. In the meantime Ms. Walker plans to review the plan again and possibly make some changes. For example, the Court Triennial Review has a required deadline, so it will probably be done before the CCCH audit to ensure the deadline is met.

The reports for February are on track, but the remaining work is slipping a little for the rest of the year. The risk assessment model will probably be pushed back to work on audits instead. The Airport FBO Compliance audit and the utility franchise agreement might not be finished until July.

Chair Klapp said there must be some flexibility given the staffing situation.

7. Discussion and Possible Direction to Staff Regarding agenda items for the next Audit Committee meeting

Further discussion of the sunset review process for boards and commissions is agendized, along with the audits of Palomino Library and Wireless Telecommunications.

Ms. Walker distributed the proposed meeting schedule for 2012.

Public Comment

No members of the public wished to address the Committee.

Adjournment

The meeting adjourned at approximately 4:26 p.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.